

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING**

IN THE MATTER OF)
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Surplus Review and Determination)
for Group Hospitalization and Medical)
Services, Inc.)
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Order No.: 14-MIE-008

ORDER WITH SUPPLEMENTAL INFORMATION REQUESTS

1. Pursuant to the Fourth Scheduling Order in this matter, the Department of Insurance, Securities and Banking (“DISB”) requests the following information from Group Hospitalization and Medical Services, Inc. (“GHMSI”) and/or its consultant, Milliman:
 - a. Please provide to Rector & Associates (with a copy to DISB), on or before 5pm Eastern Time on Wednesday, October 15, 2014, the surplus target generated based on the Modified Milliman Model if, instead of a 98% confidence level, the following confidence levels are used for the 200% RBC-ACL threshold:
 - i. 90% confidence level;
 - ii. 93% confidence level; and
 - iii. 95% confidence level.

The “Modified Milliman Model” means the Milliman model with the adjustments described in the December 9, 2013 Rector Report and:

- the probability distributions used in the stochastic modeling process set forth in the 2013 Rector Report with respect to the rating adequacy and fluctuation factor, the unidentified growth and development factor, the catastrophic event factor, and the premium growth level factor;
- the probability distributions used in the stochastic modeling process set forth in Milliman’s February 27, 2014 correspondence describing the probability distribution assumptions used in Milliman’s analysis for the remaining 9 factors; and
- the baseline assumptions used in the pro forma projections set forth in Rector’s August 27, 2014 response to Question 5.a., available at <http://disb.dc.gov/node/888512>.

- b. Please provide to Rector & Associates (with a copy to DISB), on or before 5pm Eastern Time on Wednesday, October 15, 2014, the surplus target generated based on the Modified Milliman Model if, instead of a 85% confidence level, a 75% confidence interval is used for the 375% RBC-ACL threshold.
- c. Please provide to Rector & Associates (with a copy to DISB), on or before 5pm Eastern Time on Wednesday, October 15, 2014, the surplus target generated based on the Modified Milliman Model at:
 - i. 90% confidence level for the 200% RBC-ACL threshold
 - ii. 93% confidence level for the 200% RBC-ACL threshold
 - iii. 95% confidence level for the 200% RBC-ACL threshold
 - iv. 98% confidence level for the 200% RBC-ACL threshold
 - v. 75% confidence level for the 375% RBC-ACL threshold
 - vi. 85% confidence level for the 375% RBC-ACL threshold

if, instead of the Annual Premium Growth rates set forth in the 2013 Rector Report the following rates are used:

Non-FEP Business		FEP Business	
<u>Growth Rate</u>	<u>Probability</u>	<u>Growth Rate</u>	<u>Probability</u>
4.5%	25%	6.5%	25%
8.0%	50%	7.5%	50%
12.2%	25%	8.4%	25%

- d. Please provide to DISB data, as of December 31, 2011, for the surplus attribution factors listed on page 18 of Rector's July 21, 2010 Report, available at <http://disb.dc.gov/node/332152>.
2. Pursuant to the Third Scheduling Order in this matter, DISB requests that Rector please review the information to be provided pursuant to paragraphs 1(a), 1(b) and 1(c), and ensure that they are consistent with the methodology and calculations in its December 9, 2013 Report, and report its findings to DISB. GHMSI and Milliman shall provide Rector with any and all assistance and information needed for Rector to comply with this Order.

3. Except as otherwise stated herein, the Fourth Scheduling Order remains in full force and effect. Accordingly, responses to the requests above, unless otherwise stated, are due on or before 5pm Eastern Time on Friday, October 24, 2014 and should be sent to the attention of:

Adam Levi
Assistant General Counsel
District of Columbia Department of Insurance, Securities and Banking
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Washington, D.C. 20002
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Any communications sent to Mr. Levi will be made a part of the official record of this proceeding and may be posted on DISB's website at <http://disb.dc.gov>.

Dated: October 3, 2014



Chester A. McPherson, Acting Commissioner

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